



One state. One system.

Bond Accounting

Business Process Workshop (BPW)

2017 STO/SCO Release
2017 Departmental Release



Agenda

- BPW Objectives
- What You Should Take Away
- Bond Accounting Overview
- Key Terms
- User Roles Summary
- Business Processes
 - Detailed End User Role Description
 - Process Overview
 - Demonstration/Discussion
- Change Impacts Activity
- Next Steps
- Appendix

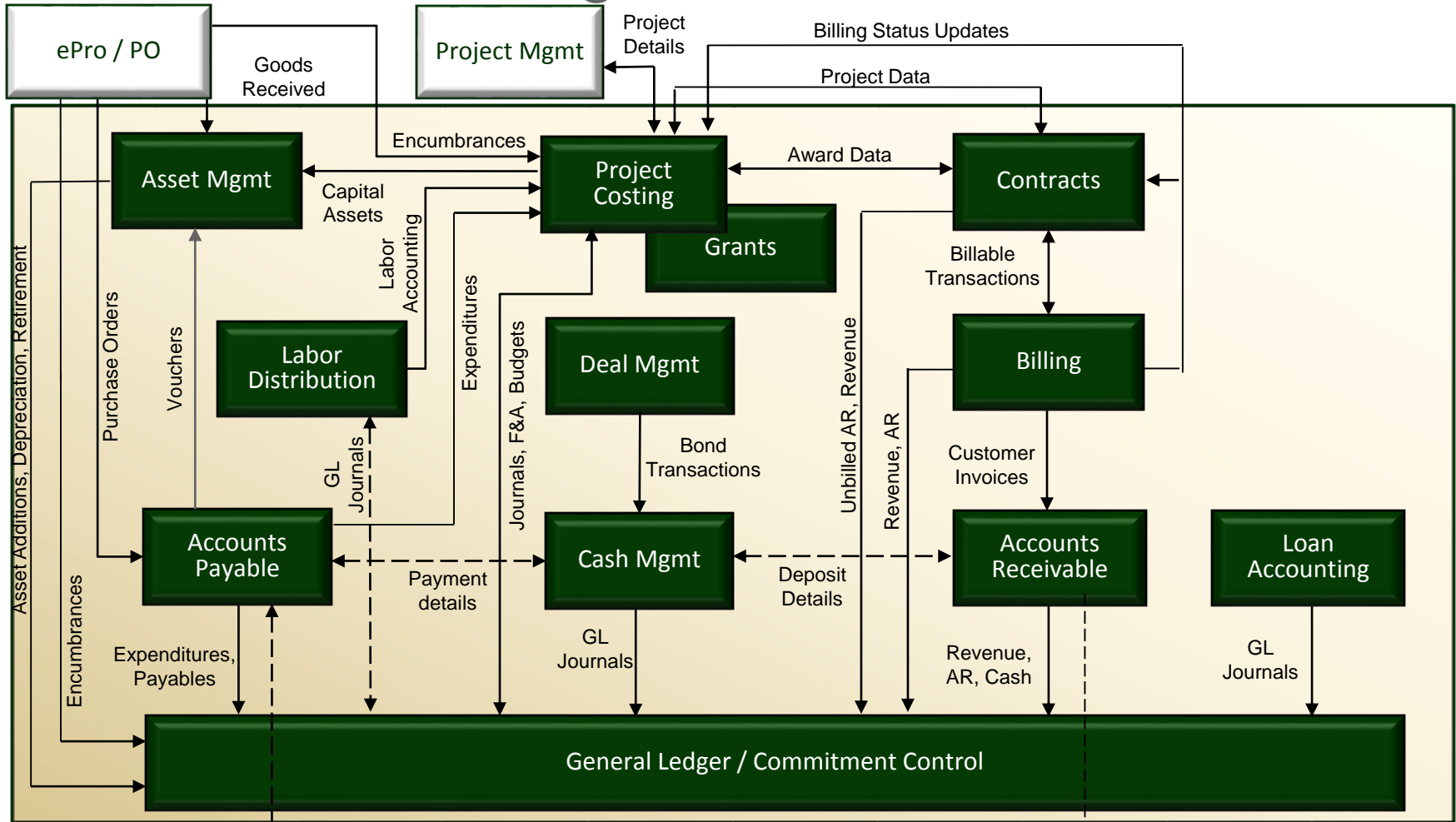
BPW Objectives

- The Business Process Workshops allow participants to:
 - Gain an understanding of the new FI\$Cal processes and end-user roles
 - Understand the next steps in the implementation phase
 - Know how to get assistance from FI\$Cal

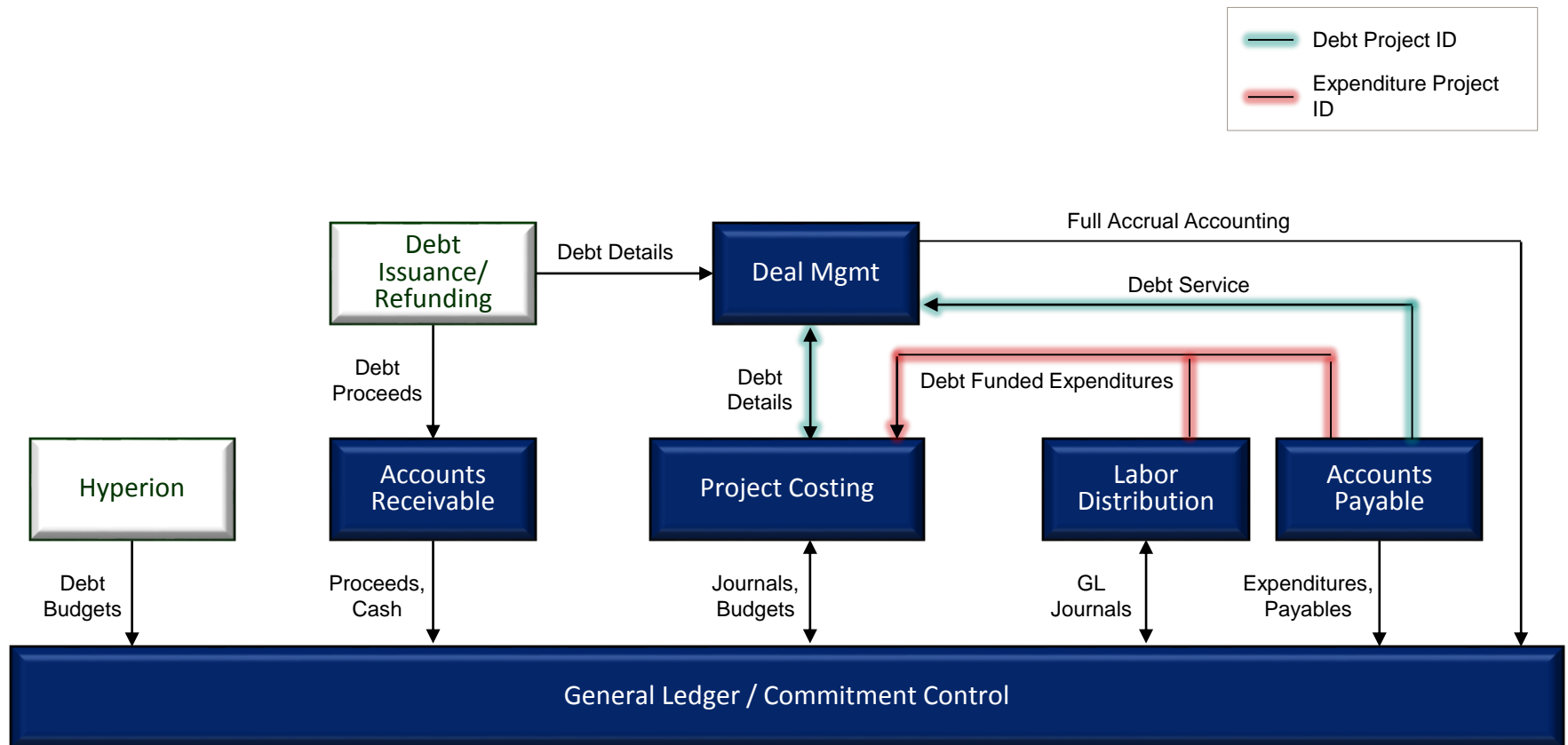
What You Should Take Away

- Materials from today's session:
 - Business Process Workshop Presentation
 - Change Impact Tool
- Understanding of the new FI\$Cal processes, the next steps, and the support available from FI\$Cal

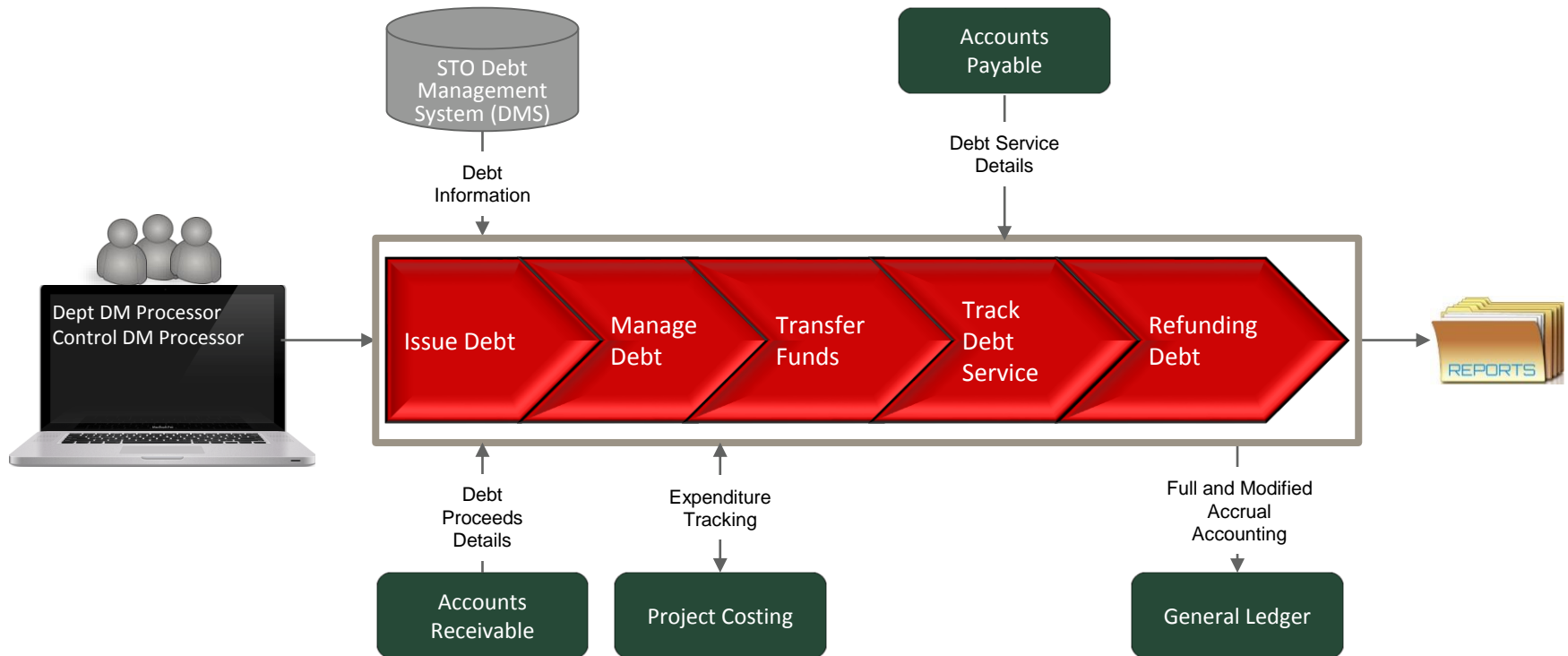
FI\$Cal Accounting Solution



Common Bond Transactions



Bond Accounting (BA)



Key Terms

Term	Definition
Bond Accounting	Includes accounting for all types of debt and related debt instruments; the process includes recording for all accounting entries generated by the lifecycle stages of the debt and debt funded activities.
Deal Management (DM)	Module used to maintain records of outstanding debt and providing full accrual debt accounting and reporting.
Debt Instrument	An obligation that enables an issuing party to raise funds by promising to repay a lender in accordance with the terms of a contract.
Debt Management System (DMS)	The State Treasurer's Office's Debt Management System is the state Debt Book of Record.

Key Terms

Term	Definition
Deal	A security recorded in the Deal Management (DM) module for tracking, reporting and accounting purposes. The deal contains the Facility, Portfolio, Security, and Series.
Facility	In FI\$Cal, Facility will be used to store the Act or Statute.
Portfolio	In FI\$Cal, Portfolio will be used to store the Program for debt as defined by the STO.
Series	Identifies a current issuance of debt by date and type.
Security	In FI\$Cal, Security will be used to store the CUSIP.
CUSIP	An acronym which stands for Committee on Uniform Securities Identification Procedures. This number is a unique identifier for a security.

Key Terms

Term	Definition
Debt Project	<p>A Project that is used in the FI\$Cal modules (e.g. AR, DM, AP) to tie together related transactions back to the debt issuance and points to more details about the debt.</p> <p>In FI\$Cal, the Debt Project ID will be determined by values given by the STO.</p>
Debt Funded Expenditure Project <i>‘Exp Project’</i>	<p>Debt is frequently issued for the purpose of funding specific projects, construction or otherwise. When debt funds a project they are known as Debt Funded Expenditure Projects, or simply Expenditure (Exp) Projects. These projects may represent grants, new construction, expansion, renovation or replacement project for an existing facility or facilities.</p>

Key Terms

Term	Definition
Accounting Event	Event in the lifecycle of the debt that triggers accounting entries.
Substitution Rules	Allows for the ability to replace a specific chart field value such as an account or fund with a new value based on configurable criteria.
Sell/Buyback	The current process of refunding such as early redemptions, commercial paper paydown, remarketings, and defeasances in FI\$Cal.

Control Role Summary

End-User Role	Description
Control DM Processor	<p>The control agency end users who will:</p> <ul style="list-style-type: none"> - process debt issuance, including viewing debt details to validate, reversing debts and performing any necessary manual refunding or defeasances - process interfaces related to debt issuance.
STO Demand Journal Processor	<p>The STO end users who will record demand journals (deposits) in FI\$Cal.</p>
SCO STO AR Payment Processor	<p>The end users who will:</p> <ul style="list-style-type: none"> - enter payment data - apply payments to invoices (through worksheets or Payment Predictor) - run FTB/Lottery Offset and Outbound FTB Interfaces.

Control Role Summary

End-User Role	Description
SCO GL Journal Processor	<p>The SCO end users who will:</p> <ul style="list-style-type: none"> - create journals in the modified accrual, cash adjustment, full accrual adjustment ledgers - process the transfer of cash into the bond expenditure sub-funds - run online edit and budget check and submit to the journal approval process - run the process to load investment accounting details to FI\$Cal - runs the process to pass transaction request details to FI\$Cal.

Control Role Summary

End-User Role	Description
SCO GL Journal Approver	<p>The SCO end users who will:</p> <ul style="list-style-type: none"> - approve specified journals - approve AR direct journal payments - review and approve investment accounting entries - review and approve department requests for transfers between CTS bank accounts - correct claim funding information in case of invalid ChartField translation - update and correct funding information for claims marked in error, run the claim validation process, and set up the Legacy Defaults page.

Control Role Summary

End-User Role	Description
SCO Appropriation Approver	The SCO end users who will: <ul style="list-style-type: none"> - create and post statewide controlling budget journals - post appropriation transactions interfaced from Hyperion - override claim budget exceptions.
SCO Cash Validation Exception Processor	The SCO end users who will override cash validation exceptions.
SCO AP Expedite Processor	The SCO end user with access to approve vouchers created through SCO Expedite processing workflow.
SCO AP Expedite Approver	The SCO control end user with access to add and review vouchers on behalf of non-FI\$Cal departments through SCO Expedite processing.

Control Role Summary

End-User Role	Description
STO AP Processor	The STO end users who will enter, research, delete, and correct vouchers.
SCO Pay Cycle Processor	The SCO end users who will: <ul style="list-style-type: none"> - run warrant pay cycle - generate outbound print files - post payments for warrants.
STO Pay Cycle Processor	The STO end users who will: <ul style="list-style-type: none"> - run pay cycle, - cancel payments - post payments.

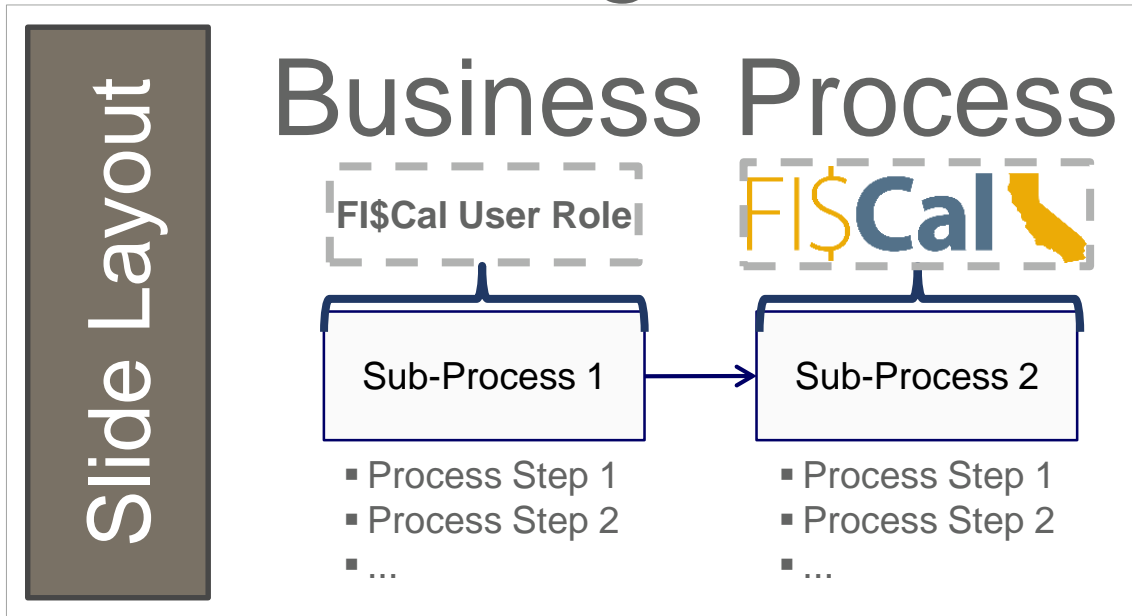
Departmental Role Summary

End-User Role	Description
DM Processor	The end users who will process debt issuance not administered by STO.
PC Processor	The end users who will: <ul style="list-style-type: none"> - create projects - maintain projects
GL Processor	The end users who will: <ul style="list-style-type: none"> - creates journal entries in the Modified Accrual ledger - review and update the journal entries within the Cash Management module.
GL Approver	The end users who will approve department journal entries.

Departmental Role Summary

End-User Role	Description
AP Processor	The end users who will : - create vouchers for the payment of invoices - manage the vouchers through budget checking, hold, and matching activities
AP Approver	The end users who will approve the vouchers for payment.
AP Payment Processor	The end users who will run the department's Pay Cycle and manage the payments, including canceling, posting, and escheating departmental checks.
AR Payment Processor	The end users who will enter deposit and payment data, including applying payments to invoices.
BI/AR Approver	The end users who will review, update, and approve bills, receivable items, and deposit and payment data, including setting transactions to post.

Presentation Legend



Organization

Indicates that the process is completed by another department



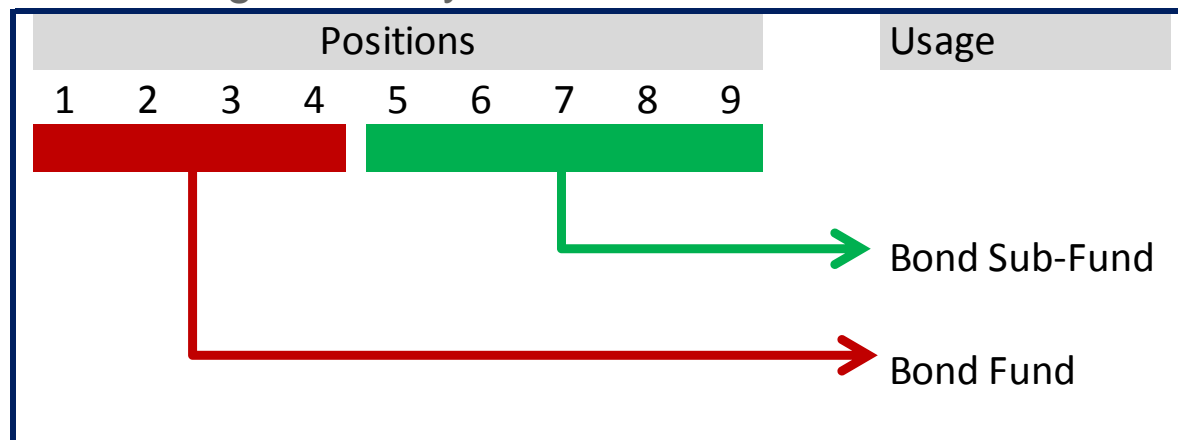
Indicates that the process is automatically completed by FI\$Cal

FI\$Cal User Role

Indicates that the sub-process is completed by an end user assigned the listed role

Fund ChartField

- Every debt issuance (including C.P.) will require a new subfund
- The fund will have the Debt Project ID listed as an attribute
- Reports in FI\$Cal will relate transactions utilizing the fund and debt together
- The Fund and Sub-Fund concepts exist in a single ChartField
 - The first 4 digits identify the debt fund
 - The next 5 digits identify the debt sub-fund



Fund ChartField Attributes

- Type of Debt Sub-Fund
- Debt Project ID
- Taxable vs Non-Taxable
- Type of Debt Instrument (G.O., L.R.B., C.P., etc.)
- Liquidating or Non-Self Liquidating
- Governmental Use or Business Use
- Restricted Use:
 - Build America Bond
 - Green Bond
 - Etc.

Agency Use ChartField

- This chartfield would be utilized as a statewide solution to track expenditures related to debt funds.
- Departments will be able to define a 10-alphanumeric character to properly classify the transaction for debt activity purposes.

Types of Debt Sub-Funds

Name	Usage
Proceeds	Net proceeds
Expenditure	Debt funded expenditures
Debt Service	Fund debt service payments
Reserve	Protection against default for debt holders
Rebate	Arbitrage related tax liability
Escrow	Refunding proceeds
Cost of Issuance	Debt issuance expenses paid directly by the state
Construction Contingency	Construction costs in excess of plan / budget

Configure Deals

- The organization of debt will use different functionalities in the Deal Management module to keep STO DMS, FI\$Cal and the debt hierarchy structure consistent
- Debt will be organized in Deal Management as **Deals** using Debt Instrument Types, Facilities, Portfolios, and Security IDs (CUSIPs) will be utilized to organize debt.
- Every item of debt will utilize a corresponding instrument type; General Obligation, Commercial Paper, Lease Revenue Debt (LRBs), etc.
- Accounting Templates will be populated on each Debt Instrument for accounting event purposes

Debt Project ID Schema

Debt Project ID	Debt Instrument ID	Facility ID	Portfolio ID	Series ID	Security ID
"DEBT" + Act + Series	Non-Lease Revenue (LRB) debt	Act	Program	Series	CUSIP
"DEBT" + Fund + Series	Lease Revenue (LRB)	Statute	Program	Series	CUSIP

- Debt Project ID will be created using values from STO DMS

DM Debt Instrument Types

Debt Instrument Types	Debt Instrument Types
General Obligation Bond – Fixed	General Obligation Bond - Variable
Revenue Bond - Fixed	Revenue Bond - Variable
Lease Revenue Bond	Commercial Paper
Revenue Anticipation Notes	Revenue Anticipation Warrants
Bond Anticipation Notes	Certificate of Participation
Interim Notes	

- Debt Instrument Types may be added as needed to accommodate new debt issues/attributes

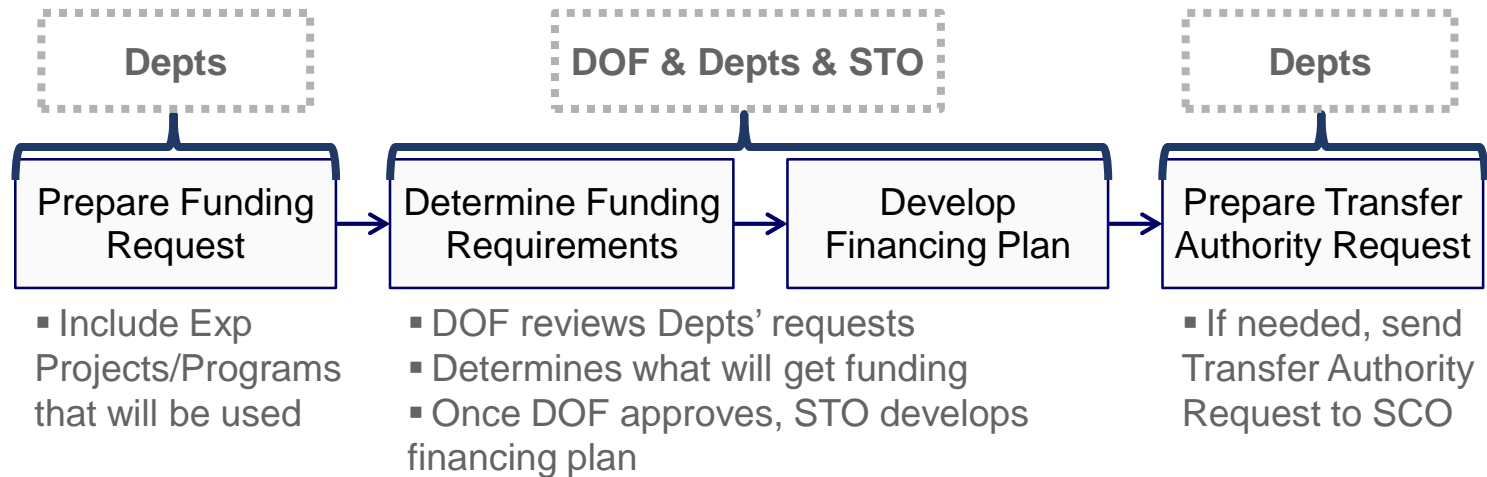
Debt Issuance

- The actual authorization and issuance of debt will be performed outside of FI\$Cal. The accounting entries are generated from FI\$Cal that will record debt lifecycle events.
- There are four avenues to input debt information into FI\$Cal
 - DMS to DM (Sale, Debt Service, and Refunding)
 - Fee Update to DM
 - Price Update to DM
 - Manual Deal to DM
- **Debt Issuance** includes the following Business Processes:
 - Generate Debt Issuance
 - Record Debt Issuance
 - Deal Update Spreadsheet
 - Record Manual Deal (e.g. Commercial Paper)

Bond Accounting Projects

- Bond Accounting will leverage the Project ID ChartField in order to create a relationship and common denominator between transactions that occur in multiple FI\$Cal modules
- **Debt Project IDs** will need to be defined for each new bond act/statute
- **Expenditure (Exp) Projects** will represent debt funded activities, e.g. construction, etc.
- Departments will be able to create Exp Projects as needed

Generate Debt Issuance

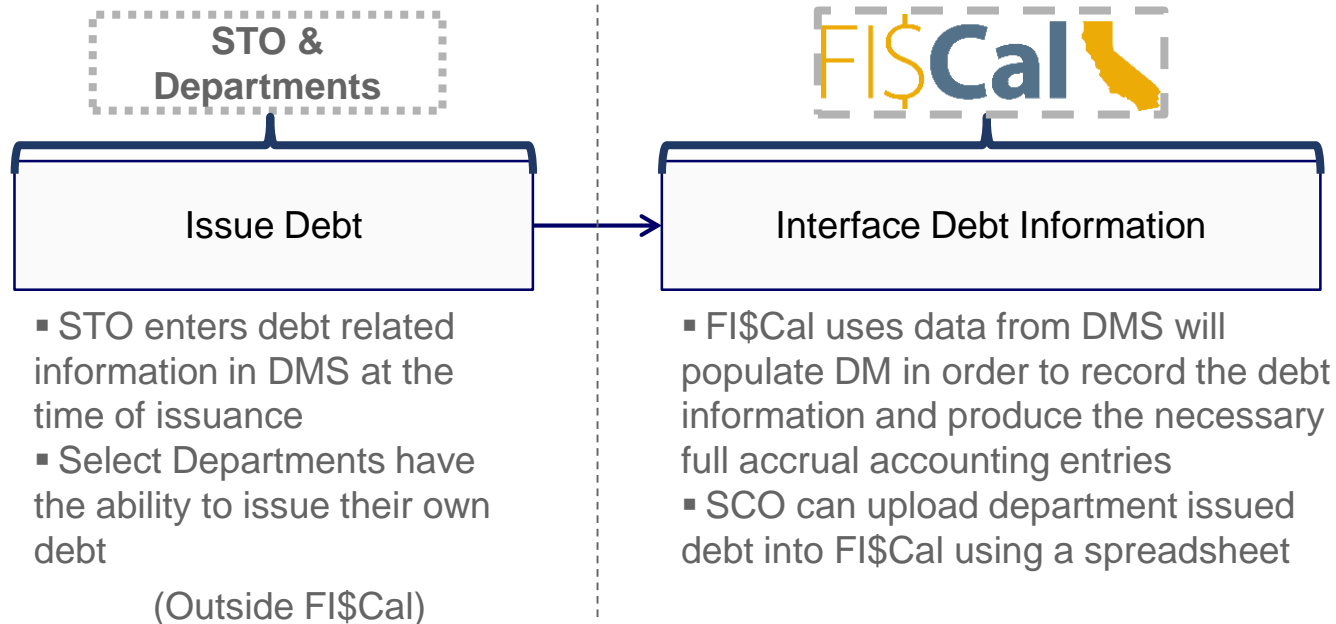


(Outside of FI\$Cal)

Key Impacts

- The actual issuance of debt will be performed outside of FI\$Cal
- Departments will now define Expenditure (Exp) Projects for their internal reporting requirements, Exp Projects/Programs are required on the Funding Request

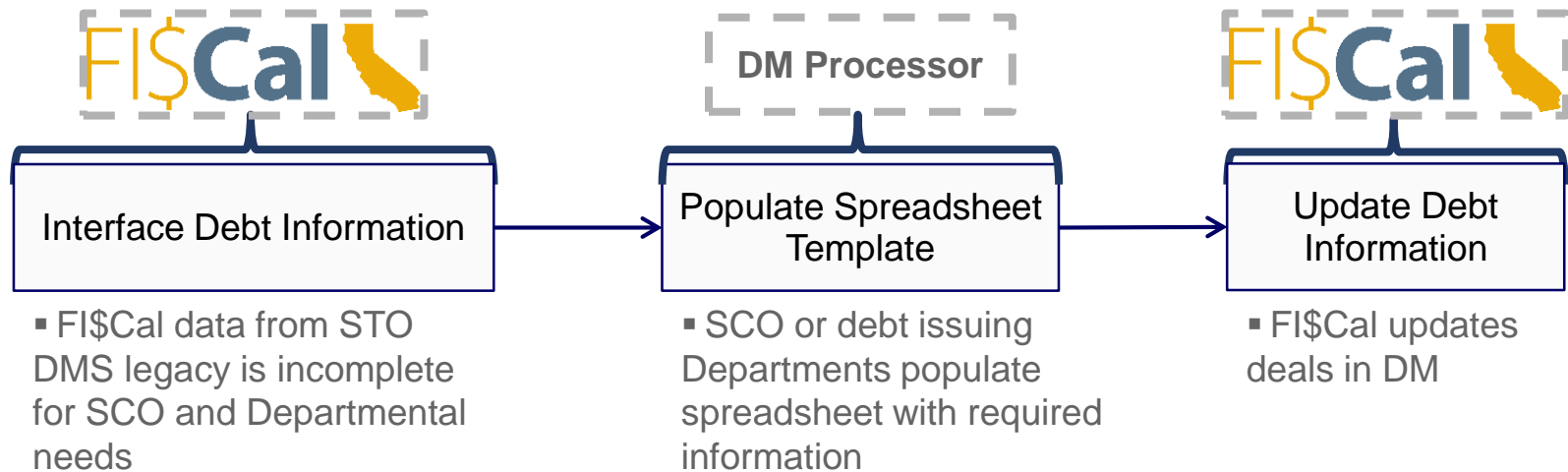
Record Debt Issuance



Key Impacts

- Most debt will be interfaced into DM from STO
- The accounting entries generated from DM will record Debt Lifecycle events to the department adjustment ledger on a full accrual basis

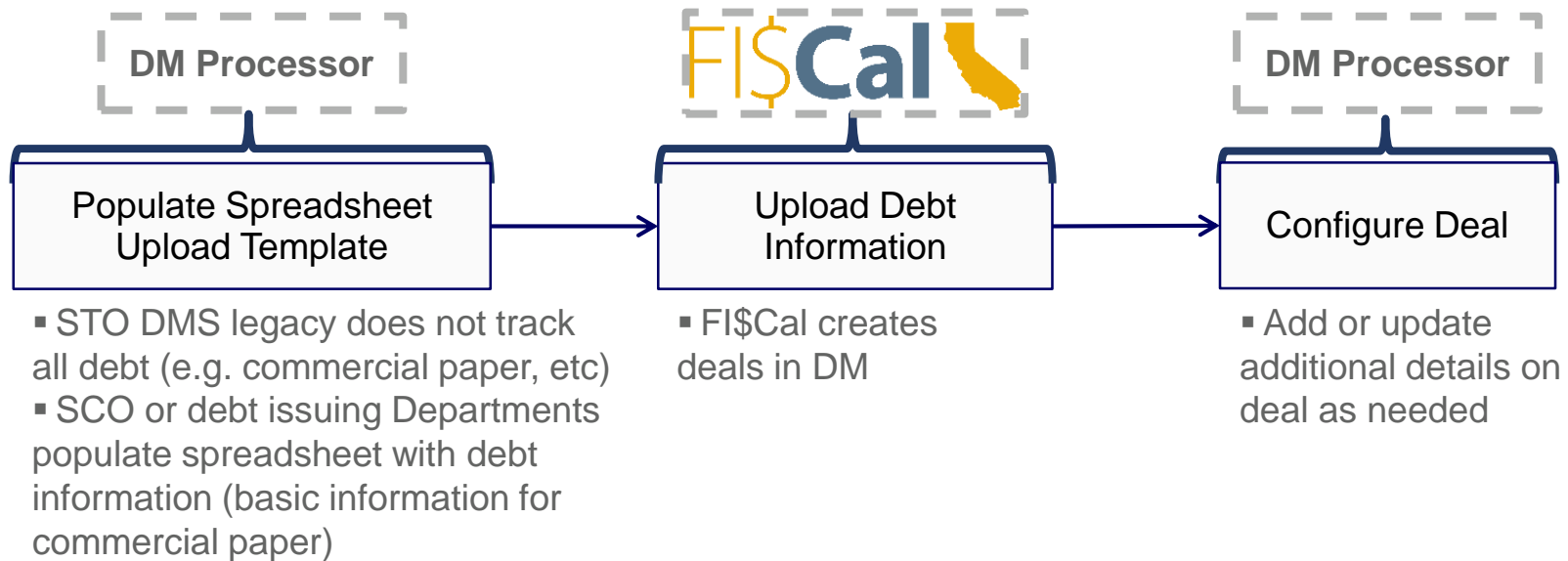
Deal Update Spreadsheets



Key Impacts

- SCO or debt issuing Departments will be required to populate required information in two separate spreadsheet templates (fee template and price template)
- Examples of required information include Price % of Par and Fees such as 'Underwriter Discount', 'Prepaid Insurance', or 'Cost of Issuance'

Record Manual Deal



Key Impacts

- SCO or debt issuing Departments will be required to populate basic commercial paper information in a spreadsheet upload
- Basic information includes date of issuance, amount issued, and program

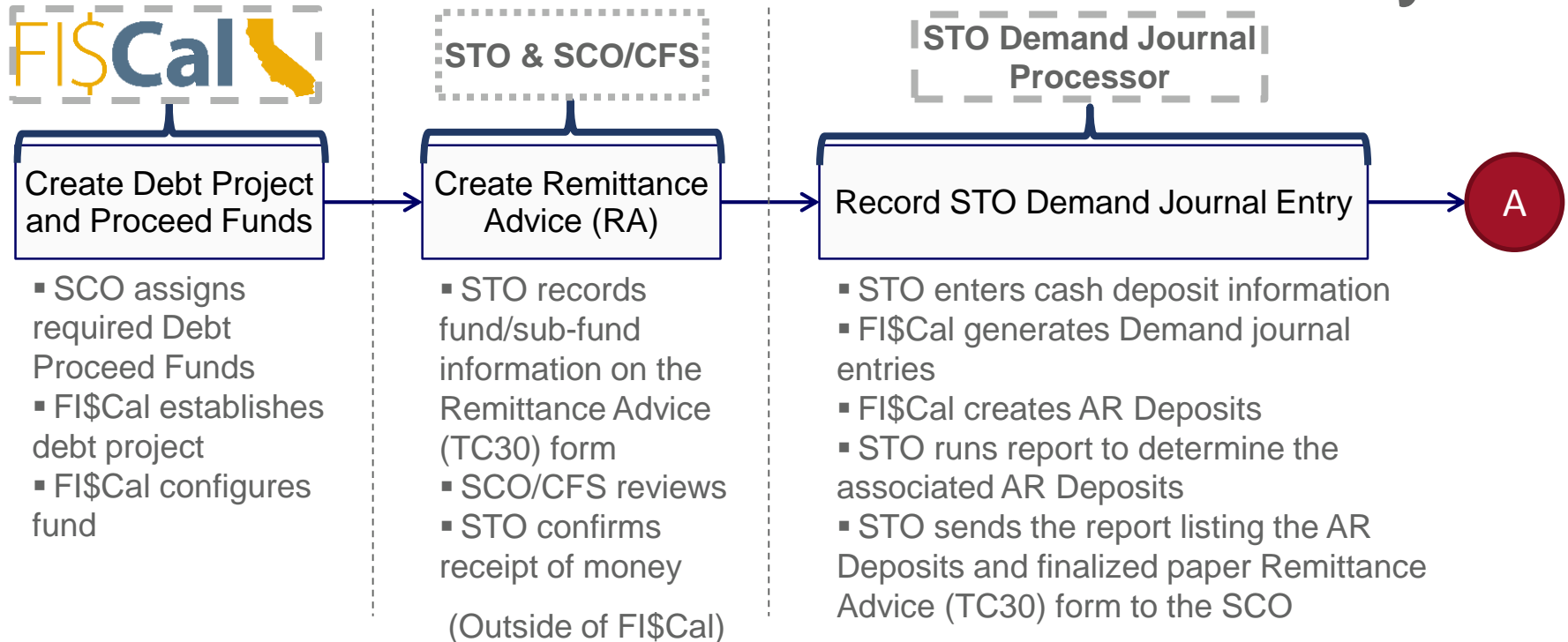
Deactivating a Deal

- If there are any errors in entering or loading a deal after it has been saved, FI\$Cal does not allow deletion of a deal. The deal must instead be deactivated.
- The incorrect deal must be identified and the undo deal process run for said deal.
- Once the undo deal process runs to completion the deal will be set to a status of deactivated and the accounting entries automatically reversed.
- The corrected deal will have to be manually re-entered.

Debt Proceeds

- The Debt Proceeds business process supports the recording and application of monies received directly into the State Treasury in the FI\$Cal Accounts Receivable module
- The STO will record the proceed amounts it receives
- The SCO will record the proceeds to the correct funds
- **Debt Proceeds** includes the following Business Processes:
 - Debt Proceeds to State Treasury
 - Record Proceeds Deposits

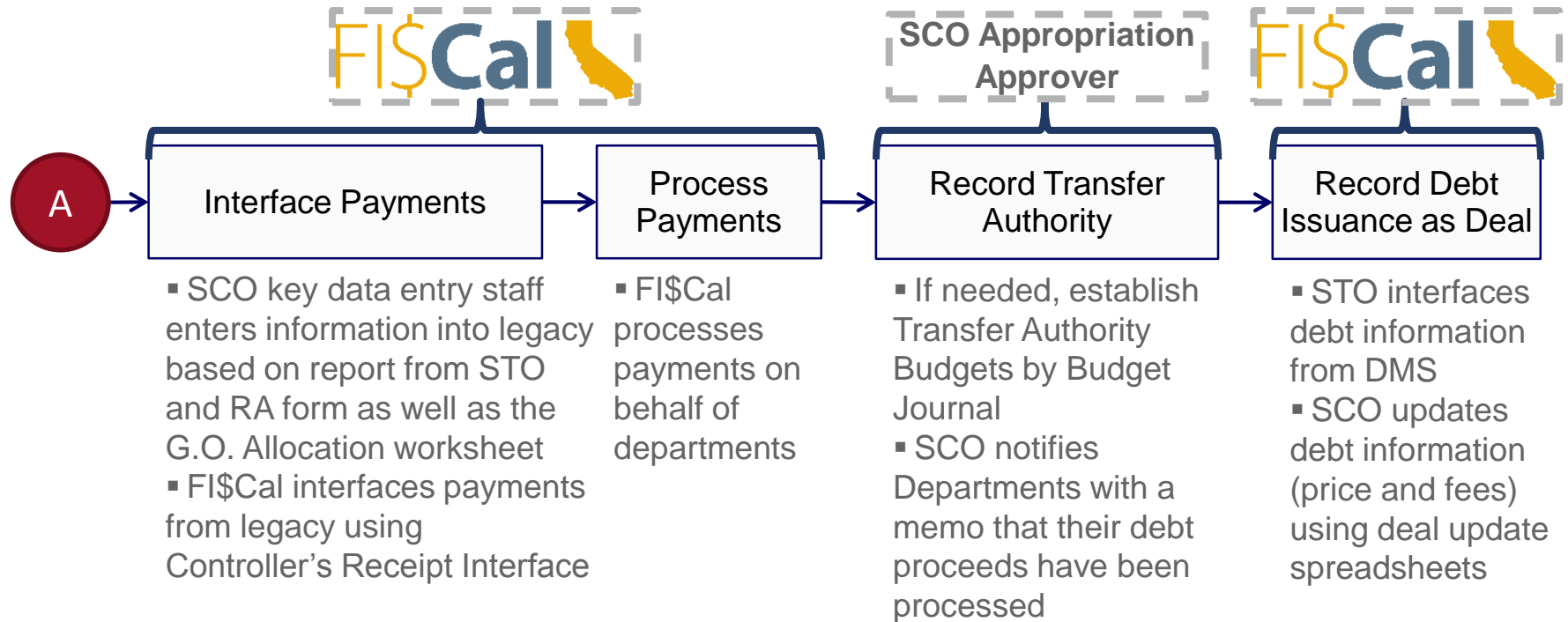
Debt Proceeds to State Treasury



Key Impacts

- STO records proceeds in FI\$Cal for debt where STO is the trustee
- STO will need to provide to the SCO an allocation worksheet on the same day as the Remittance Advice, these documents will need to be updated for FI\$Cal ChartFields

Record Proceeds Deposit



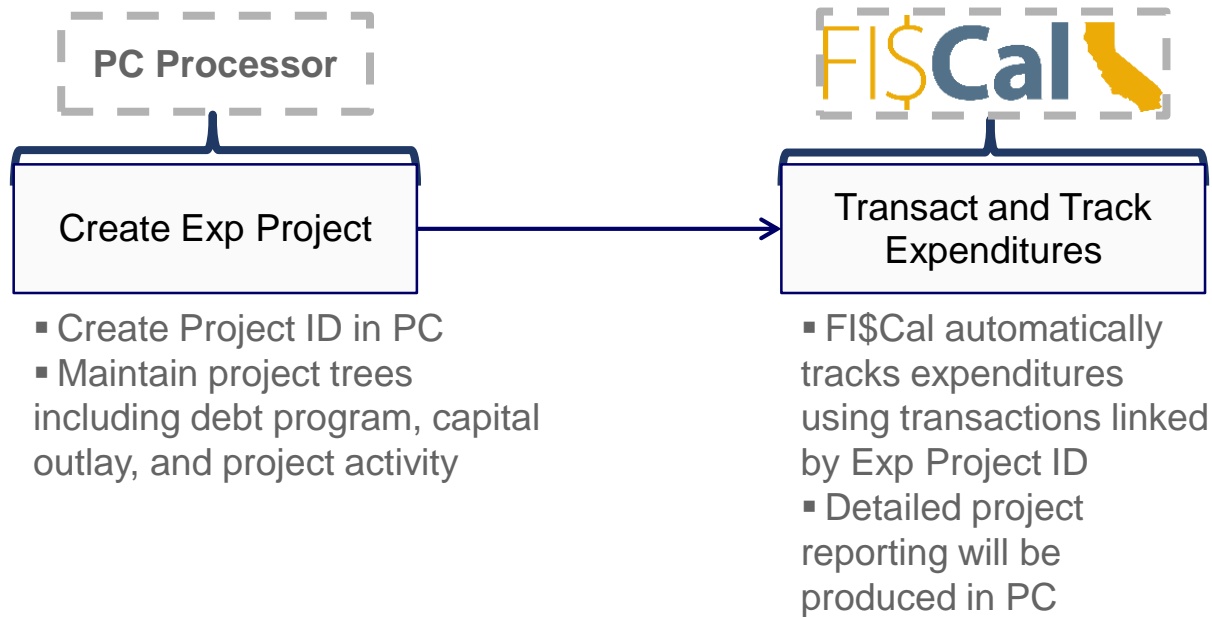
Key Impacts

- G.O. Allocation worksheet will continue to be used
- Direct Remittances are now entered as AR Deposits in FI\$Cal
- SCO will notify Departments that their payment has been processed.

Debt Funded Transactions

- SCO establishes initial transfer budgets in the proceeds fund and, if needed, reallocates using the Transfer Authority Request form submitted by the departments
- Generally debt funded transactions require a cash transfer
- All debt funded transactions require cash validation
- **Debt Funded Transactions** includes the following Business Processes:
 - Tracking Expenditures
 - Debt Funded Expenditures
 - Automated Debt Cash Transfers
 - Manual Debt Cash Transfers

Tracking Debt Funded Expenditures



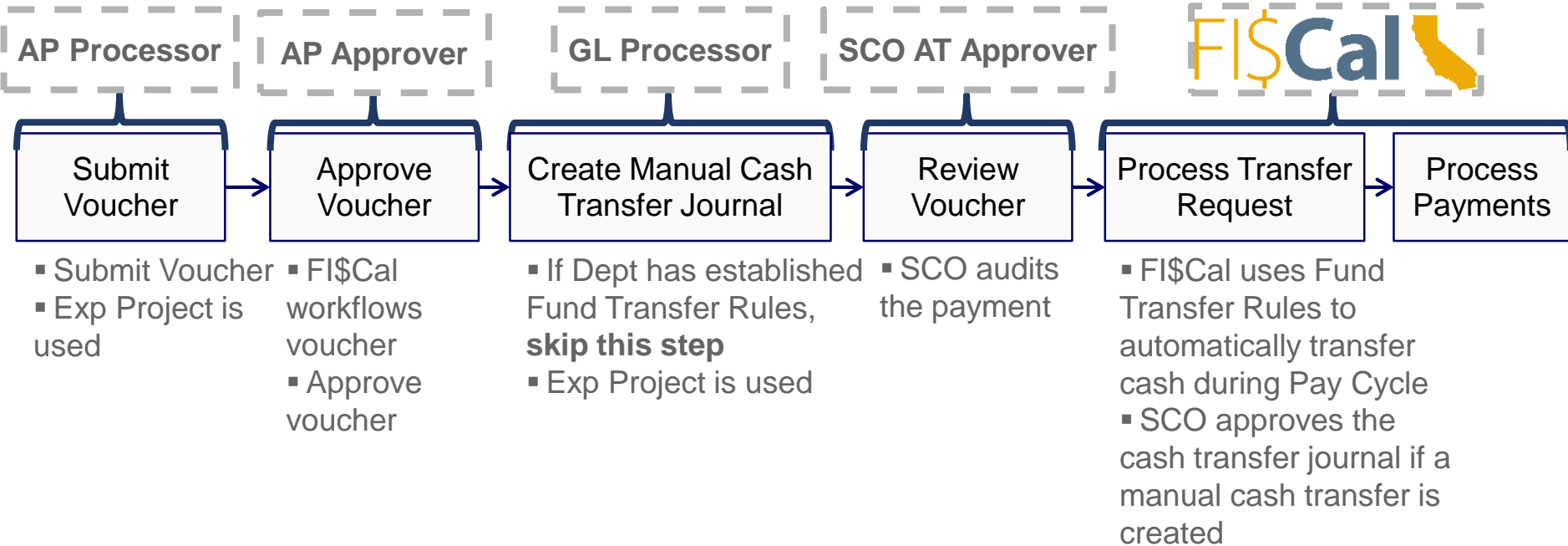
Key Impacts

- Departments can track and report on project expenditures at a detailed level
- Expenditures will be linked to Debt using the Debt Project ID listed in the fund attributes

Debt Cash Transfers

- Debt funded expenditures require transfers of cash between debt proceeds sub-funds and related expenditure sub-funds
- Automated Debt Cash Transfers
 - When *Fund Transfer Rules* have been established, FI\$Cal is capable of automatically transferring cash related to vouchers processed in the Accounts Payable during the Pay Cycle process
 - These *Fund Transfer Rules* require SCO approval
- Manual Debt Cash Transfers
 - In all other instances, manual transfers are needed

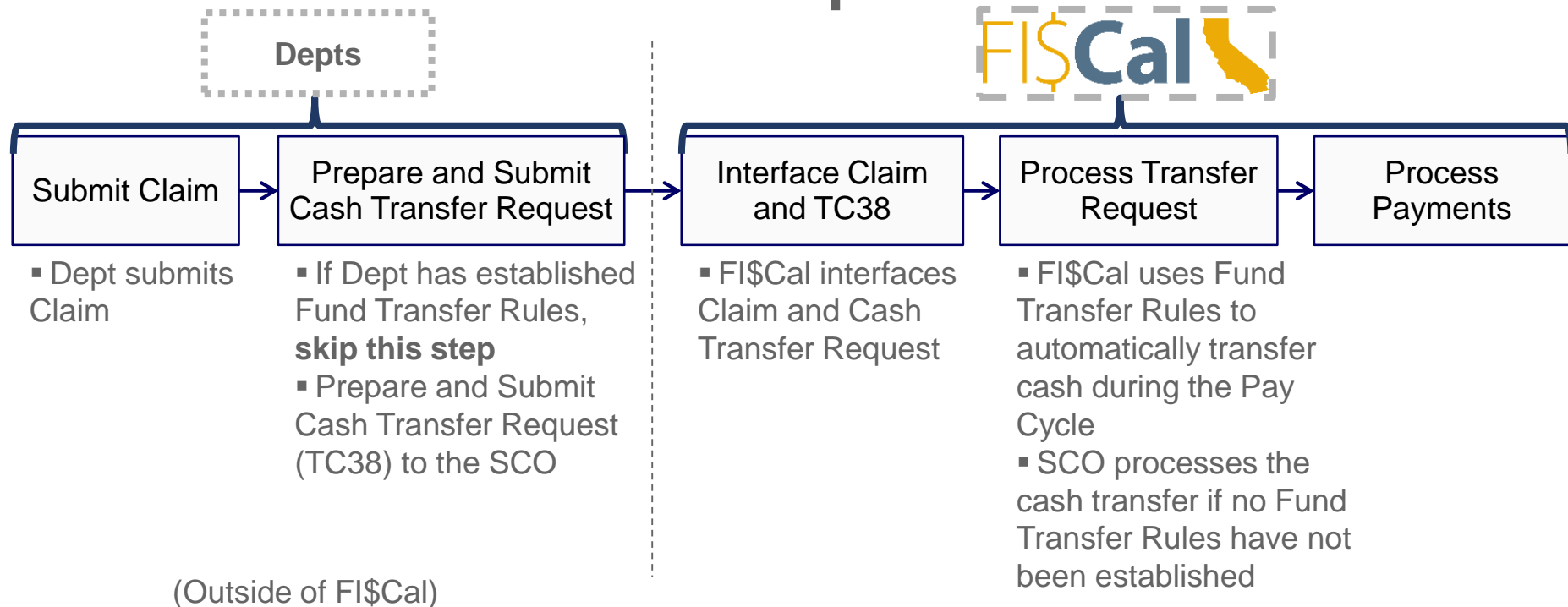
Debt Funded Expenditures



Key Impacts

- Cash Transfer Letters for will no longer be required
- Depts can establish Fund Transfer Rules to automatically transfer cash
- Fund Transfer Rules must be approved by the SCO prior to use
- Exp Project is required to track expenditures

Debt Funded Expenditures



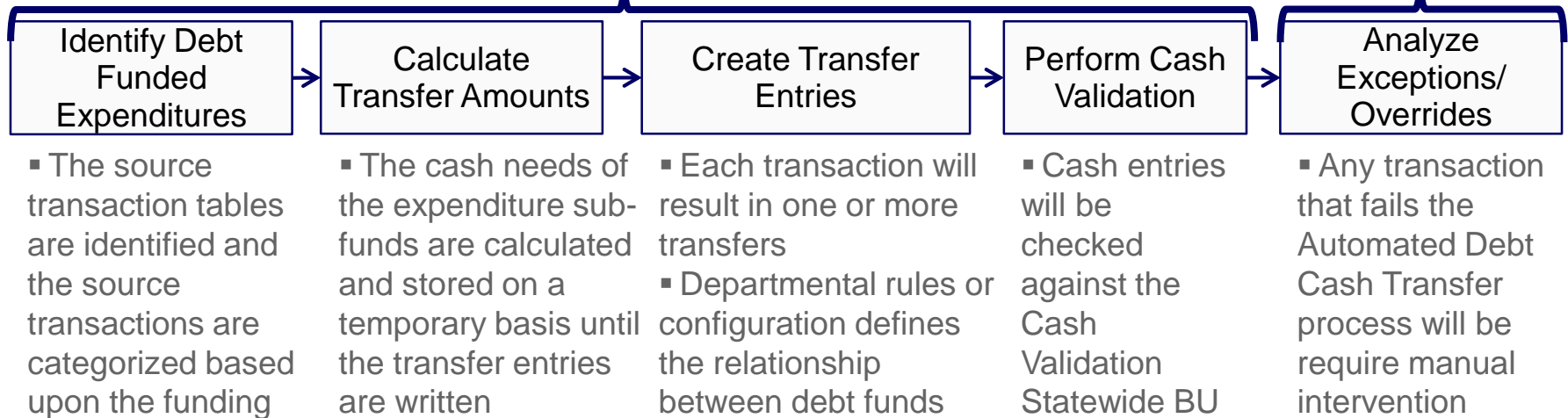
Key Impacts

- Depts can establish Fund Transfer Rules to automatically transfer cash
- Fund Transfer Rules must be approved by the SCO prior to use

Automated Debt Cash Transfers



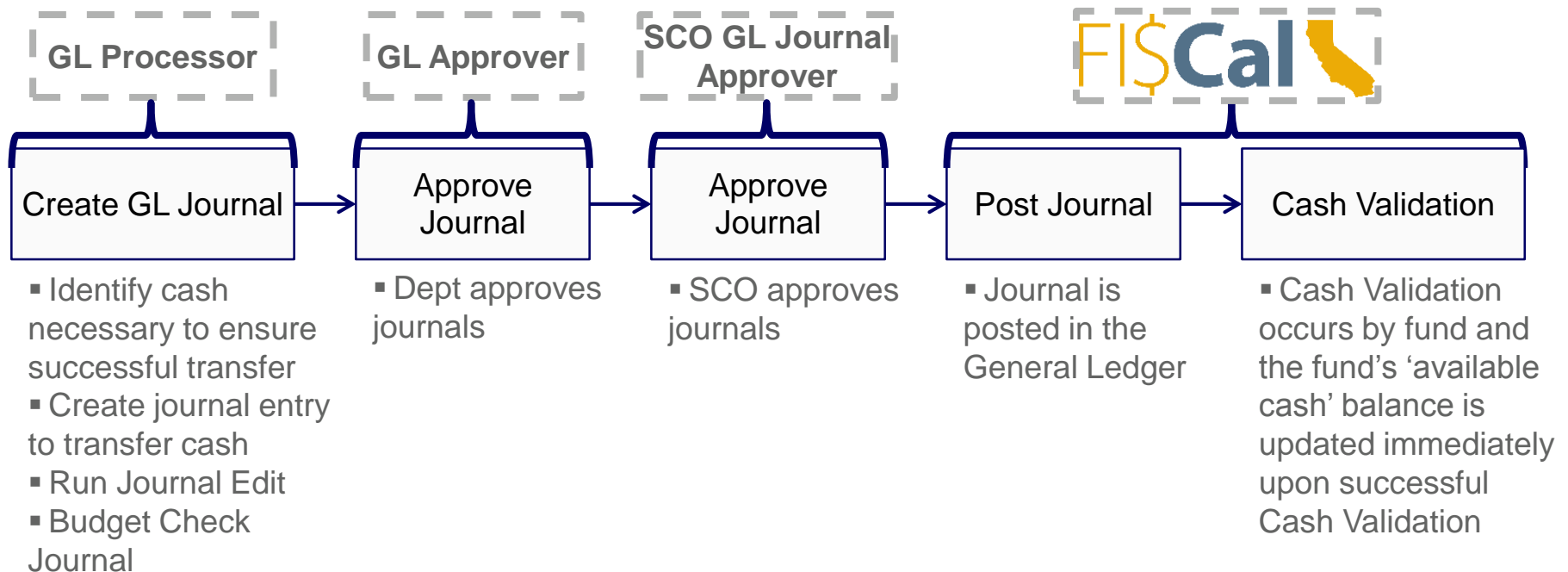
**SCO Cash Validation
Exception Processor**



Key Impacts

- This process is occurs during the Pay Cycle for Accounts Payable voucher expenditures
- Cash Transfer Letters for Debt Cash Transfers will be replaced and automated by this process if the automated Fund Transfer Rules are established
- This process does not currently replace other types of Transfer Letters, which will continue to be used outside of FI\$Cal

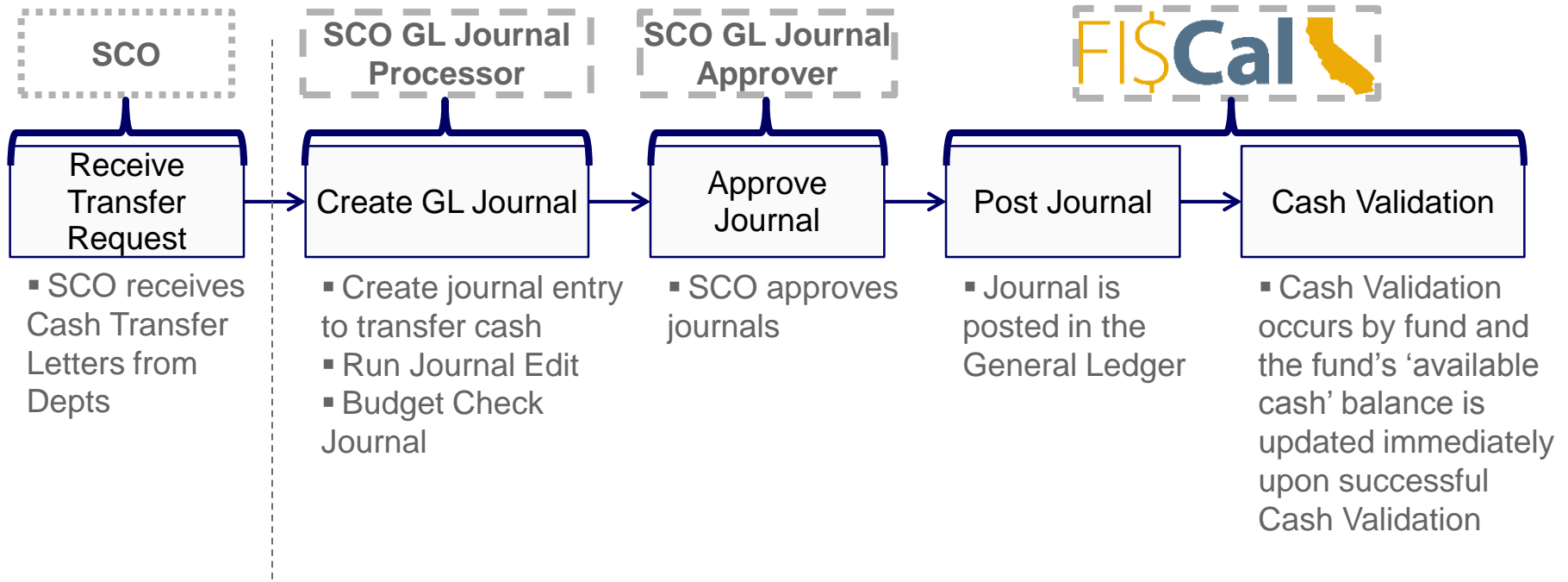
Manual Debt Cash Transfers



Key Impacts

- FI\$Cal Depts will submit journals in FI\$Cal instead of transaction requests

Manual Debt Cash Transfers



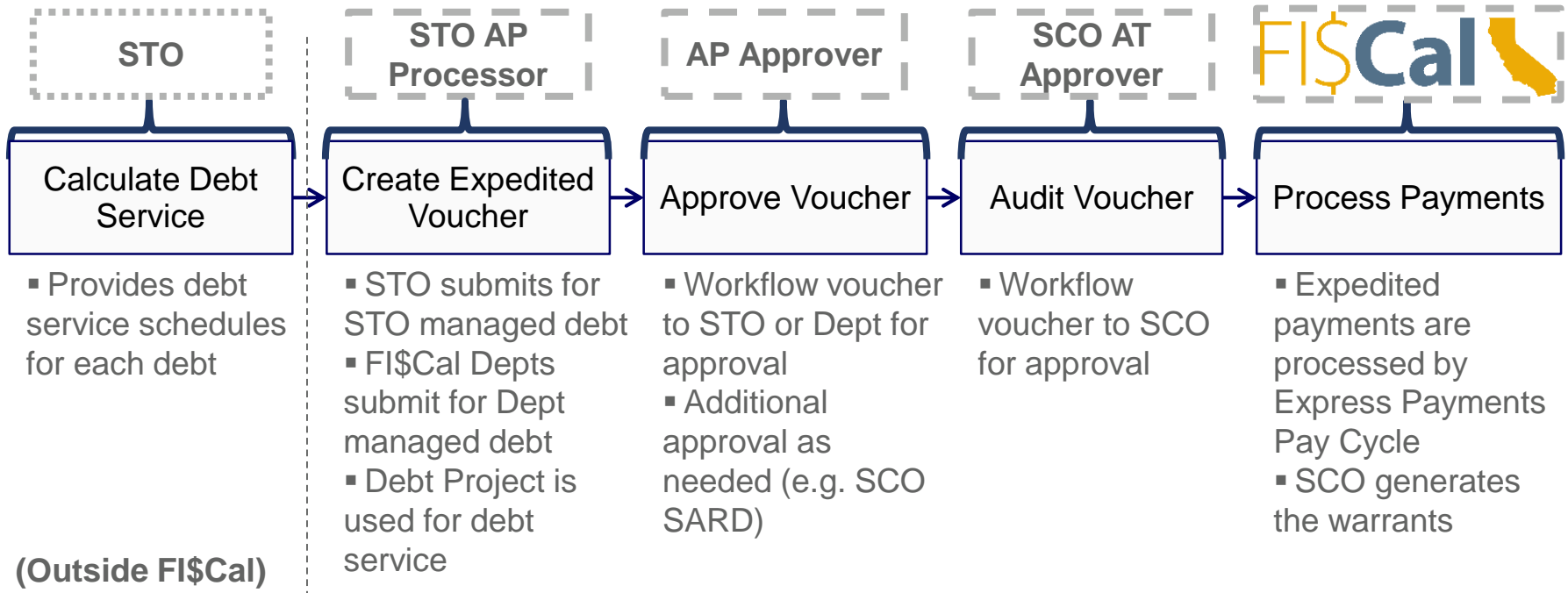
Key Impacts

- Non-FI\$Cal Depts will continue to submit Cash Transfer Letters for their cash transfers
- Cash Transfer Letters for Debt Cash Transfers will be updated for this process

Debt Service

- Debt Service and amortization schedules are available in DM for each debt and account for the principal and interest payments.
- Debt Service payments are made directly out of Accounts Payable using STO data.
- Deal Management provides payment schedules that are prepared by the STO and debt issuing departments.
- **Debt Service** includes the following Business Processes:
 - Debt Service Payments

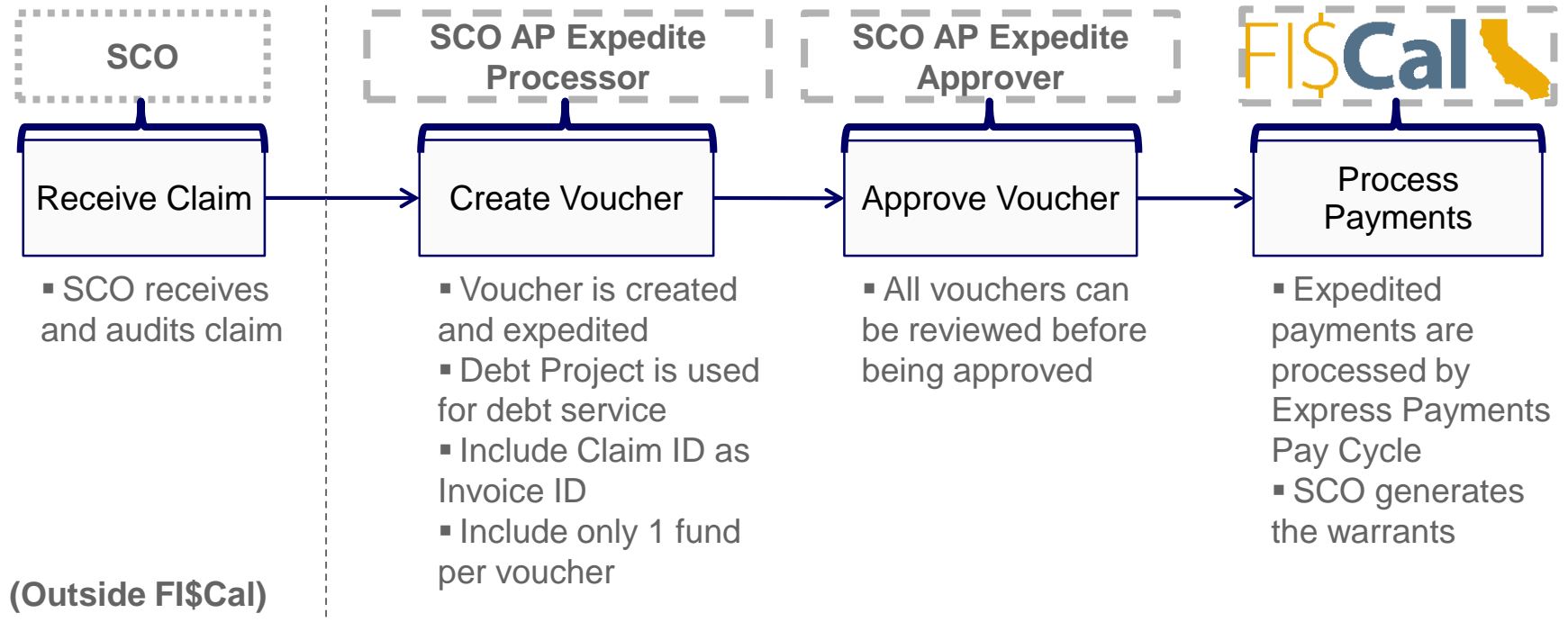
Debt Service Payments



Key Impacts

- STO and FI\$Cal Depts will submit vouchers instead of claim schedules

Debt Service Payments



Key Impacts

- For non-STO managed debt, Non-FI\$Cal Depts will continue to submit claim schedules

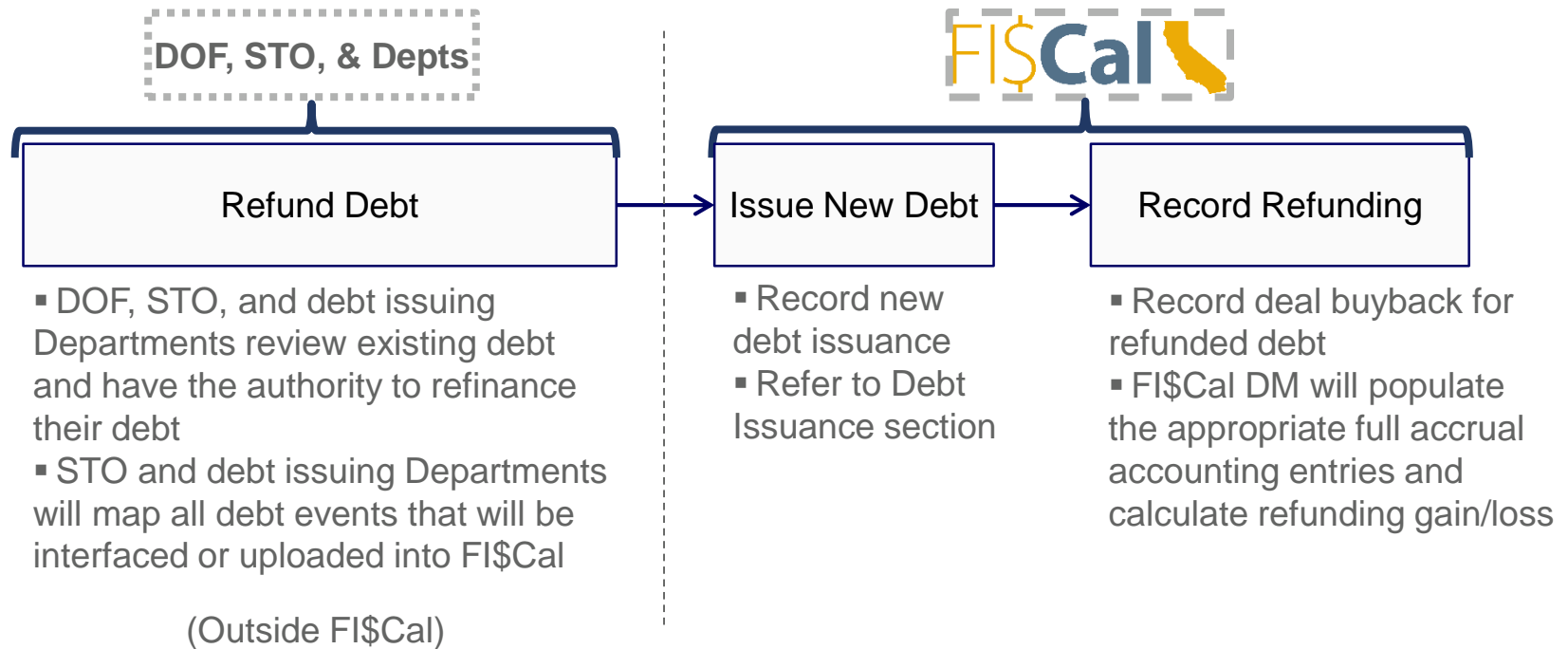
Debt Service Timing

- Vouchers can be submitted as early as needed by the responsible parties. These can be made at any time in advance, adjusted as needed, and put on hold or future dated.
- Processes have been delivered for expediting vouchers.

Refunding Debt

- New refunding debt is issued to pay off old debt, normally to achieve cost savings associated with lower interest rates (i.e. to refinance the bonds)
- This process allows STO and debt issuing Departments to add refunding details into FI\$Cal for refunding (sell/buyback), defeasances, calling a debt, etc.
- **Refunding Debt** includes the following Business Processes:
 - Refund Debt
 - Commercial Paper Defeasance

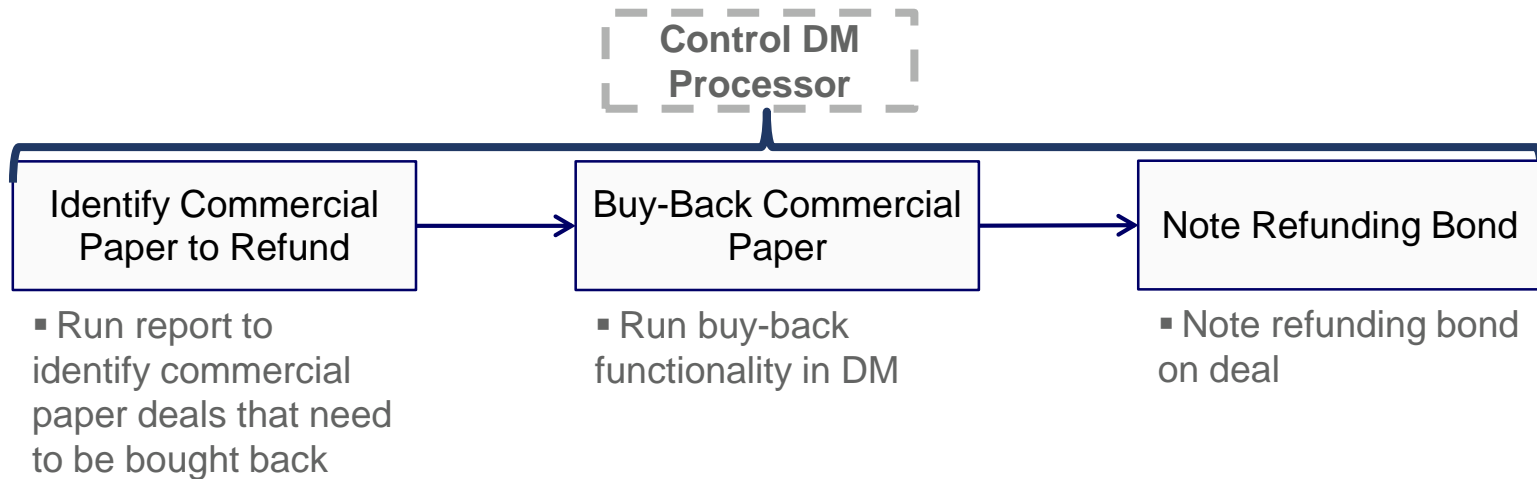
Refund Debt



Key Impacts

- The main analysis between DOF and STO occurs outside FI\$Cal to determine refunding needs

Commercial Paper Refunding



Key Impacts

- Commercial paper will be refunded on a first in, first out basis

Change Impact Activity

- Description:
 - A walkthrough with the FI\$Cal team to assist departments to complete example change impacts
 - Departments will have the understanding on how to complete the remainder of the tool on their own
 - At your table, discuss how the FI\$Cal business processes and related change impacts may affect your department
 - Document three impacts in your BPW Change Impact Tool
- Roles:
 - Facilitator – Helps lead the discussion with your department on the FI\$Cal business processes and change impacts
 - Recorder(s) – Captures the department-specific impacts from the activity in your BPW Change Impact Tool
- Tool:
 - Change Impact Tool – Task to document the changes in People, Process, Technology, and Communication that will arise from the implementation of FI\$Cal business processes

Next Steps (STO & SCO)

- Share BPW materials at your department
- Complete the BPW Change Impact Tool
- Attend Process Confirmation Meetings
- Identify and work on updating internal department policies, processes, and documentation
- Prepare for:
 - Participate in UAT Pass 1
 - November 2016 through January 2017
 - Submit Role Mapping for UAT Pass 2
 - Due January 27, 2017
 - Participate in UAT Pass 2
 - March 2017 through May 2017
 - End-User System Training
 - March 2017 through May 2017

Next Steps (2017 Depts)

- Share BPW materials at your department
- Complete the BPW Change Impact Tool
- Review with your FI\$Cal CMO Department Readiness Coordinator
 - Identify and work on updating internal department policies, processes, and documentation.
- Prepare for:
 - Role Mapping Workshop (TECH727)
 - January 2017
 - Change Workshop (READ720)
 - February/March 2017
 - End-User Training (TRNG706)
 - May through June 2017
 - User Support Labs (TRNG713)
 - July 2017

Next Steps (Others)

- Share BPW materials at your department
- Identify and work on updating internal department policies, processes, and documentation.

Question and Answer



FI\$Cal Information:

<http://www.fiscal.ca.gov/>

or e-mail the FI\$Cal CMO Team at:

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